

TAYLOR COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT

Year ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Taylor County School District
Campbellsville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Taylor County School District (the "District") as of and for the year then ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for Schools District Audits Independent Auditor's Contract, Appendix I of the Independent Auditor's Contract – Audit Extension Request, and Appendix II of the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages 3 through 8 and 33 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducting for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional information shown on Pages 35 through 39 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards on Pages 40 through 42 are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are also not a required part of the basic financial statements of the District.

The additional information shown on pages 35 through 39 and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information shown on pages 35 through 39 and the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014, on our consideration of the Taylor County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Taylor County School Districts internal control over financial reporting

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Certified Public Accountants

Campbellsville, KY
November 11, 2014

TAYLOR COUNTY SCHOOL DISTRICT
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014

As management of the Taylor County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning fund balance for the District's General Fund was \$3,770,033 as compared to \$4,350,085 for the year ending balance on June 30, 2014.
- A continued effort focuses on purchasing in the areas of supplies, food, energy and travel resulting in savings due to management strategies.
- Interest income earned in FY 2014 was \$61,610 as compared to \$58,138 in 2013. Total revenue (less bond proceeds) increased by 1.1 percent for all governmental funds from \$22,872,833 in FY 13 to \$23,118,853 in FY 14.
- SEEK funding reported in the district's general fund in FY 2013 was \$10,347,591. The amount of SEEK received in FY 2014 was \$10,298,913. There was a .4% decrease in SEEK during 2014 in comparison with FY 2013.
- The General Fund had \$23,090,653 (including the beginning balance) in revenue, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities and motor vehicle taxes. Excluding inter-fund transfers of \$38,706 for local technology matching fund and \$122,487 for debt service, there were \$18,752,630 in General Fund expenditures.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The district's total principal bonded indebtedness decreased by \$770,000 during the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9-10 of this report.

TAYLOR COUNTY SCHOOL DISTRICT
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and proprietary funds. The only proprietary fund is food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-34 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, total assets exceeded liabilities by \$13,310,613 as of June 30, 2014 as compared to \$12,433,525 as of June 30, 2013.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the Period Ending June 30, 2014 and 2013:

Assets:	2014	2013
Current Assets	\$ 6,297,648	\$ 6,260,665
Capital Assets	13,845,956	13,695,229
Total Assets	<u>20,143,604</u>	<u>19,955,894</u>
Liabilities:		
Current Liabilities	2,134,603	2,420,861
Noncurrent Liabilities	<u>4,525,954</u>	<u>5,101,508</u>
Total Liabilities	<u>6,660,557</u>	<u>7,522,369</u>
Deferred Inflows of Resources		
Deferred Revenue	<u>172,434</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	9,225,956	8,305,229
Restricted	51,373	541,834
Unrestricted	<u>4,033,284</u>	<u>3,586,462</u>
Total Net Position	<u>\$ 13,310,613</u>	<u>\$ 12,433,525</u>

TAYLOR COUNTY SCHOOL DISTRICT
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014

COMMENTS ON BUDGET COMPARISONS

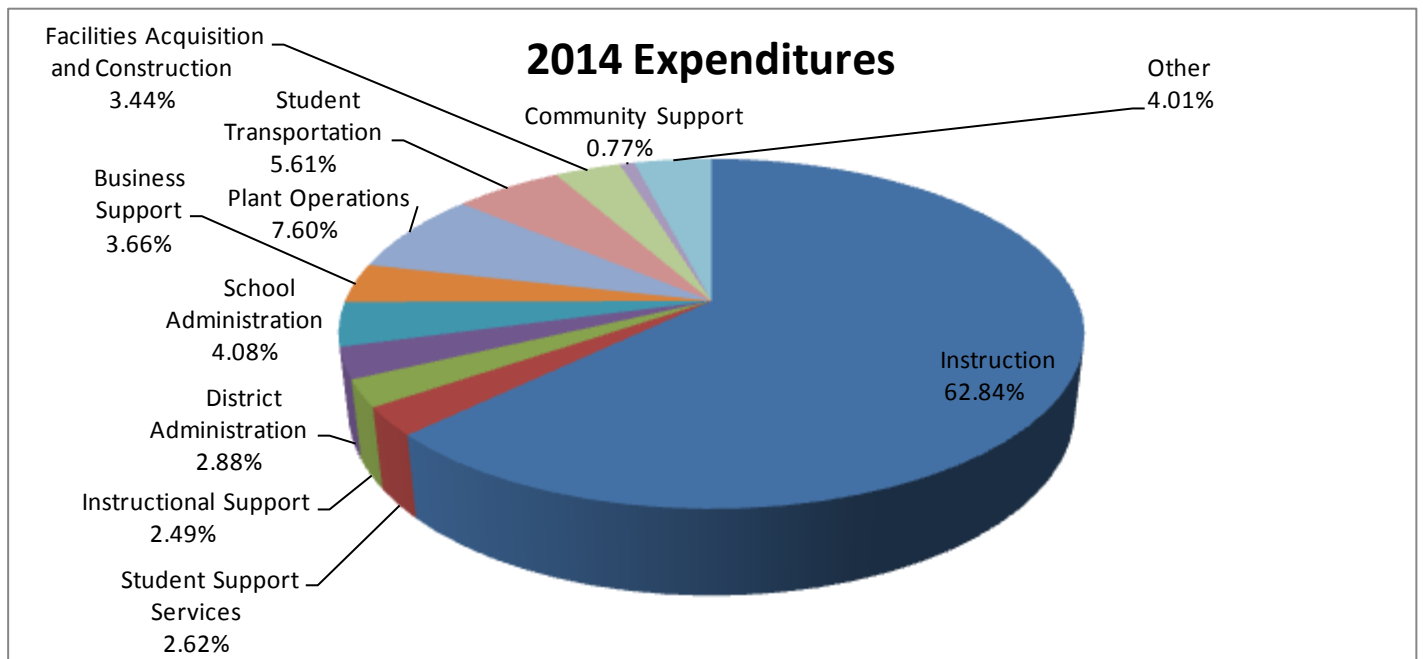
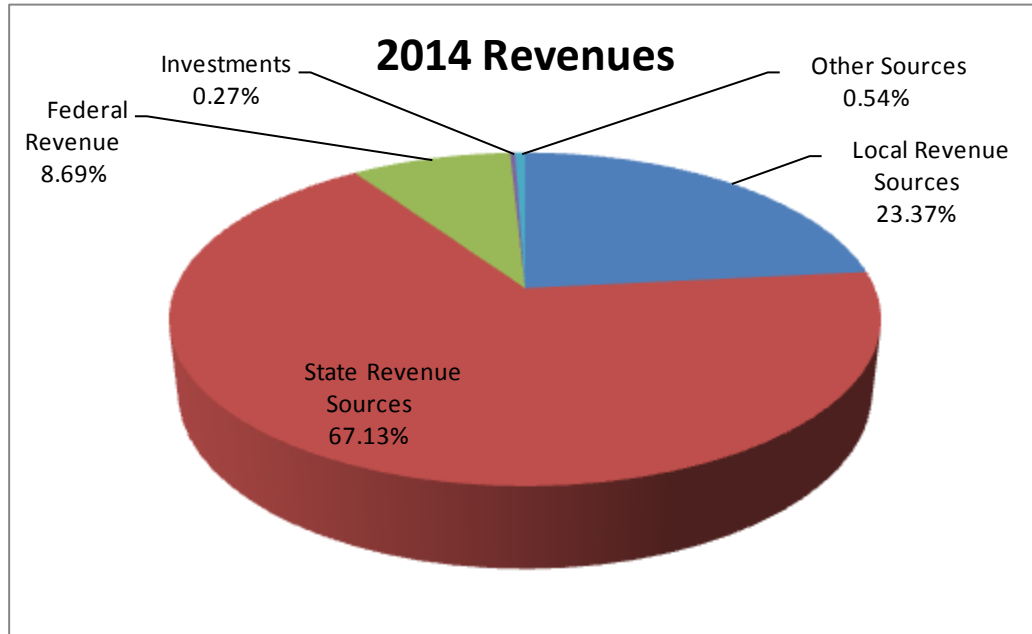
- The District's total revenues for the fiscal year ended June 30, 2014, net of inter-fund transfers and on-behalf payments, were \$18,727,717.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$939,745 more than budget.
- General fund final budget expenditures were \$3,237,085 less than budget.

The following table presents a summary of revenue and expenditures for the fiscal year ended June 30, 2014 and 2013:

	2014	2013
Revenues:		
Local Revenue Sources	\$ 5,402,734	\$ 4,771,143
State Revenue Sources	15,520,581	15,492,375
Federal Revenue	2,009,058	2,468,631
Investments	61,610	58,134
Other Sources	124,870	82,550
Total Revenues	<u>23,118,853</u>	<u>22,872,833</u>
Expenditures:		
Instruction	14,525,126	14,839,100
Student Support Services	606,572	645,450
Instructional Support	576,162	738,090
District Administration	664,657	767,633
School Administration	943,356	919,382
Business Support	845,172	749,510
Plant Operations	1,756,796	1,968,556
Student Transportation	1,296,295	1,304,861
Facilities Acquisition and Construction	795,675	0
Community Support	177,187	171,527
Other	927,770	926,988
Total Expenditures	<u>23,114,768</u>	<u>23,031,097</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ 4,085</u>	<u>\$ (158,264)</u>

TAYLOR COUNTY SCHOOL DISTRICT
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014

The following pie charts are included as additional illustrations of the District's revenues and expenses for the year ended June 30, 2014.



CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014

GENERAL FUND REVENUE SOURCES

General fund receipts in FY 2014 were derived from three sources: local taxes account for 24 percent of all revenue; state sources were responsible for 72 percent of general fund revenue; federal sources totaled .6 percent; and an additional 3.5 percent came from investment income, the sale of property and other miscellaneous fees.

GENERAL FUND EXPENDITURE CATEGORIES

General Fund expenditures in FY 2014 were spread among more than one dozen functions.

<u>Expenditure Category</u>	<u>Percent</u>
Instructional Activities (<i>teachers, instructional assistants, instructional supplies, materials & equipment</i>)	65.2
Plant Operations	9.3
Student Transportation	6.9
School Administration Support (principal's offices)	5
Student Support Services (<i>pupil attendance, guidance, social work, health, psychologist, speech pathologists, occupational and physical therapy, services for the visually impaired</i>)	3.2
Instructional Staff Support	2.3
District Administration Support (<i>board of ed, office of superintendent</i>)	3.6
Business Support Services	4.5
Community Services, Site Improvement, Debt Service & Fund Transfers (<i>Local Technology Match</i>)	0
Other Services	0

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$2,188,955 in contingency (7.85% of the entire budget). The beginning cash balance for beginning the fiscal year was \$3,770,033.

The Taylor County Public Schools received a federal grant titled 21st Century Community Learning Centers, which was awarded for the period of March 1, 2008 through September 30, 2014. The amount awarded during that period was \$2,062,500. In addition, the district was awarded supplemental funds during this time period of \$273,500, which was to be used for program expenses including summer school and staff training. Its impact is to enable our community to design and implement effective out-of-school programs that will result in improved student achievement, and be sustained through community partnerships at the conclusion of the grant funds.

CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014

The Taylor County School District received \$294,396 during FY 2014 from a Race to the Top Grant which is a federally funded grant administered through the Green River Regional Educational Cooperative (GRREC). The funds were to help offset the cost of Kid Friendly professional learning activities; help Family Resource Centers remove barriers to kindergarten and College Career Readiness; and expand technology infrastructure and access to devices while addressing other technology needs.

The Kentucky School Boards Insurance Trust (KSBIT), which provided coverage through nonprofit self-insured pools for workers compensation and property/liability insurance reported a deficit position in FY 12-13. In response to this deficit, all participants are likely to be charged an assessment to cover losses from prior years. Preliminary estimates of the assessment charged to the Taylor County School District based on information provided by the Kentucky School Board Insurance Trust on 2/7/13 is \$295,059 for worker's compensation and \$29,004 for property and liability. The final assessment invoices were received in July 2014 subsequent the June 30, 2014. The final assessment was \$172,395 with \$43,099 to be paid in FY 15. The remaining balance is to be paid annally over the following 6 years in the amount of \$21,549 each year.

Questions regarding this report should be directed to the Superintendent (270-465-5371) or to the Finance Officer (270-465-5371) or by mail at 1209 East Broadway, Campbellsville, KY 42718.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets:			
Current Assets:			
Cash & cash equivalents	\$ 5,499,146	\$ 284,821	\$ 5,783,967
Investments	-	40,000	40,000
Inventory	-	51,373	51,373
Accounts receivable			
Taxes - current	197,907	-	197,907
Other accounts receivable	114,336	-	114,336
Intergovernmental -indirect federal	110,065	-	110,065
Total current assets	<u>5,921,454</u>	<u>376,194</u>	<u>6,297,648</u>
Noncurrent Assets:			
Land and other non-depreciable assets	2,928,711	-	2,928,711
Capital assets net of accumulated depreciation	<u>10,824,052</u>	<u>93,193</u>	<u>10,917,245</u>
Total noncurrent assets	<u>13,752,763</u>	<u>93,193</u>	<u>13,845,956</u>
Total assets	<u>19,674,217</u>	<u>469,387</u>	<u>20,143,604</u>
Liabilities:			
Current Liabilities:			
Accounts payable	1,398,935	4,498	1,403,433
Accrued interest payable	31,104	-	31,104
Current portion of bond obligations	620,000	-	620,000
Current portion of accrued sick leave	80,066	-	80,066
Total current liabilities	<u>2,130,105</u>	<u>4,498</u>	<u>2,134,603</u>
Noncurrent liabilities:			
KSBIT payable	129,296	-	129,296
Noncurrent portion of bond obligations	4,000,000	-	4,000,000
Noncurrent portion of accrued sick leave	396,658	-	396,658
Total noncurrent liabilities	<u>4,525,954</u>	<u>-</u>	<u>4,525,954</u>
Total liabilities	<u>6,656,059</u>	<u>4,498</u>	<u>6,660,557</u>
Deferred Inflows of Resources			
Deferred revenue	<u>172,434</u>	<u>-</u>	<u>172,434</u>
Net Position			
Net investment in capital assets	9,132,763	93,193	9,225,956
Restricted for:			
Inventories	-	51,373	51,373
Unrestricted	<u>3,712,961</u>	<u>320,323</u>	<u>4,033,284</u>
Total net position	<u>\$ 12,845,724</u>	<u>\$ 464,889</u>	<u>\$ 13,310,613</u>

See accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expense	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Instruction	\$ 15,057,601	\$ 7,553	\$ 2,263,266	\$ -	\$(12,786,782)	\$ -	\$(12,786,782)
Support Services							
Student	607,172	-	4,683	-	(602,489)	-	(602,489)
Instruction Staff	576,321	-	144,322	-	(431,999)	-	(431,999)
District Administrative	690,012	-	-	-	(690,012)	-	(690,012)
School Administrative	943,356	-	-	-	(943,356)	-	(943,356)
Business Support Services	845,172	-	-	-	(845,172)	-	(845,172)
Plant Operation and Maintenance	923,916	31,760	9,917	-	(882,239)	-	(882,239)
Student Transportation	1,404,002	4,015	-	-	(1,399,987)	-	(1,399,987)
Community Service Operations	173,148	-	177,146	-	3,998	-	3,998
Facilities Acquisition & Construction	795,675	-	-	680,576	(115,099)	-	(115,099)
Interest on Long-Term Debt	151,179	-	-	-	(151,179)	-	(151,179)
Total Governmental Activities	<u>22,167,554</u>	<u>43,328</u>	<u>2,599,334</u>	<u>680,576</u>	<u>(18,844,316)</u>	<u>-</u>	<u>(18,844,316)</u>
Business-Type Activities							
Food Service	1,337,061	271,938	1,068,397	-	-	3,274	3,274
Total business-type activities	<u>1,337,061</u>	<u>271,938</u>	<u>1,068,397</u>	<u>-</u>	<u>-</u>	<u>3,274</u>	<u>3,274</u>
Total primary government	<u>\$ 23,504,615</u>	<u>\$ 315,266</u>	<u>\$ 3,667,731</u>	<u>\$ 680,576</u>	<u>(18,844,316)</u>	<u>3,274</u>	<u>(18,841,042)</u>
General Revenues:							
Taxes							
Property Taxes					3,798,397	-	3,798,397
Delinquent Property Taxes					48,317	-	48,317
Motor Vehicle					617,647	-	617,647
Utility Taxes					912,142	-	912,142
Other Taxes					26,231	-	26,231
Investment Earnings					61,610	1,468	63,078
Federal and State Aid					14,329,960	-	14,329,960
Miscellaneous					1,311	-	1,311
Gains (loss) on Sale of Fixed Assets					(2,395)	-	(2,395)
Transfers					73,209	(73,209)	-
Total general revenues and transfers					<u>19,866,429</u>	<u>(71,741)</u>	<u>19,794,688</u>
Change in Net Position					1,022,113	(68,467)	953,646
Net Position - Beg., restated					<u>11,823,611</u>	<u>533,356</u>	<u>12,356,967</u>
Net Position - Ending					<u>\$ 12,845,724</u>	<u>\$ 464,889</u>	<u>\$ 13,310,613</u>

See accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Special Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets and resources:					
Cash and cash equivalents	\$5,436,777	\$ 62,369	\$ -	\$ -	\$ 5,499,146
Accounts receivable:					
Taxes - current	197,907	-	-	-	197,907
Other accounts receivable	114,336	-	-	-	114,336
Intergovernmental - indirect state	-	110,065	-	-	110,065
Total assets and resources	<u>\$5,749,020</u>	<u>\$172,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,921,454</u>
Liabilities and fund balance:					
Liabilities:					
Accounts payable	\$1,398,935	\$ -	\$ -	\$ -	\$ 1,398,935
Unearned revenue	-	172,434	-	-	172,434
Total liabilities	<u>1,398,935</u>	<u>172,434</u>	<u>-</u>	<u>-</u>	<u>1,571,369</u>
Fund balances:					
Restricted - sick leave payable	198,115	-	-	-	198,115
Unassigned fund balance	4,151,970	-	-	-	4,151,970
Total fund balance	<u>4,350,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,350,085</u>
Total liabilities and fund balance	<u>\$5,749,020</u>	<u>\$172,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,921,454</u>

See accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
June 30, 2014

Total fund balances per fund financial statements	\$ 4,350,085
Amounts reported for governmental activities in the statement of assets are different because:	
Capital assets used in government activities are not current financial resources and therefore are not reported as assets in this fund financial statement. The cost of the assets is \$27,996,245, and the accumulated depreciation is \$14,243,482.	13,752,763
Bonds payable are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net assets.	(4,620,000)
Certain liabilities, (Sick leave and interest payable) are not presented in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets as follows:	
KSBIT Payable	\$ (129,296)
Interest Payable	(31,104)
Accrued Sick Leave Payable	(476,724)
	<u>(637,124)</u>
Net position for governmental activities	<u>\$ 12,845,724</u>

See accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund	Special Revenue (Grant) Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$ 2,996,437	\$ -	\$ -	\$ 876,508	\$ 3,872,945
Motor vehicles	617,647	-	-	-	617,647
Utilities	912,142	-	-	-	912,142
Tuition and fees	4,693	-	-	-	4,693
Earnings and investments	58,605	654	-	2,351	61,610
Other local revenues	39,946	80,231	-	-	120,177
Intergovernmental - state	14,106,170	638,675	-	775,736	15,520,581
Intergovernmental - indirect federal	72,645	1,859,606	-	-	1,932,251
Intergovernmental - direct federal	55,985	20,822	-	-	76,807
Total revenues	<u>18,864,270</u>	<u>2,599,988</u>	<u>-</u>	<u>1,654,595</u>	<u>23,118,853</u>
Expenditures:					
Instruction	12,222,500	2,302,626	-	-	14,525,126
Support services:					
Student	601,889	4,683	-	-	606,572
Instructional staff	431,840	144,322	-	-	576,162
District Administration	664,657	-	-	-	664,657
School Administration	943,356	-	-	-	943,356
Business support services	845,172	-	-	-	845,172
Plant operations and maintenance	1,746,879	9,917	-	-	1,756,796
Student transportation	1,296,295	-	-	-	1,296,295
Facilities acquisition and construction	-	-	795,675	-	795,675
Community service activities	41	177,146	-	-	177,187
Debt service:					
Principal	-	-	-	770,000	770,000
Interest	-	-	-	157,770	157,770
Total expenditures	<u>18,752,629</u>	<u>2,638,694</u>	<u>795,675</u>	<u>927,770</u>	<u>23,114,768</u>
Excess (Deficit) of Revenues Over Expenditures	<u>111,641</u>	<u>(38,706)</u>	<u>(795,675)</u>	<u>726,825</u>	<u>4,085</u>
Other financing sources (uses):					
Operating transfers in	629,604	38,706	947,421	832,610	2,448,341
Operating transfers out	(161,193)	-	(314,486)	(1,899,453)	(2,375,132)
Total other financing sources (uses)	<u>468,411</u>	<u>38,706</u>	<u>632,935</u>	<u>(1,066,843)</u>	<u>73,209</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	580,052	-	(162,740)	(340,018)	77,294
Fund Balance June 30, 2013	<u>3,770,033</u>	<u>-</u>	<u>162,740</u>	<u>340,018</u>	<u>4,272,791</u>
Fund Balance June 30, 2014	<u>\$ 4,350,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,350,085</u>

See accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Net Change - Governmental Funds \$ 77,294

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays for the year.

Depreciation Expense	\$ (763,709)	
Capital Outlays	<u>931,299</u>	
		167,590

Bond proceeds are reported as financial sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal Paid:		
District	\$ 689,026	
State	<u>80,974</u>	
		770,000

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

Accrued Interest Payable	\$ 6,591	
Accrued Sick Leave	(40,066)	
KSBIT Payable	<u>43,099</u>	
		9,624

In the statement of activities the net gain on the sale/disposal of assets is reported in, whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from the change in fund balances by the cost of the assets sold/disposed.	<u>(2,395)</u>
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Change in net position of governmental activities	<u><u>\$ 1,022,113</u></u>
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TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	<u>Food Service Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 284,821
Investments	40,000
Inventory	<u>51,373</u>
Total current assets	<u>376,194</u>
Noncurrent assets	
Capital assets net of accumulated depreciation	<u>93,193</u>
Total noncurrent assets	<u>93,193</u>
Total assets	<u>469,387</u>
Liabilities	
Current liabilities	
Accounts payable	<u>4,498</u>
Total current liabilities	<u>4,498</u>
Net position	
Net investment in capital assets	93,193
Restricted:	
Nonexpendable - inventory	51,373
Unrestricted	<u>320,323</u>
Total net position	<u><u>\$ 464,889</u></u>

See accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Food Service Fund
Operating Revenues:	
Lunchroom sales	\$ 265,639
Other operating revenues	6,299
Total operating revenues	<u>271,938</u>
Operating Expenses:	
Salaries and benefits	889,366
Contract services	17,337
Material and supplies	598,915
Depreciation	25,160
Other operating expenses	6,283
Total operating expenses	<u>1,337,061</u>
Operating income (loss)	<u>(1,065,123)</u>
Non-operating revenues (expenses)	
Federal grants	868,846
Donated commodities	90,313
State grants	109,238
Interest income	1,468
Total non-operating revenues (expenses)	<u>1,069,865</u>
Income (loss) before capital contributions and transfers	<u>4,742</u>
Net transfers	<u>(73,209)</u>
Change in net position	(68,467)
Net position - beginning	<u>533,356</u>
Net position - ending	<u><u>\$ 464,889</u></u>

See accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

Cash Flows From Operating Activities:

Cash received from:

Lunchroom sales	\$ 265,639
Other activities	6,299

Cash paid to/for

Employees	(593,964)
Supplies	(517,543)
Other activities	<u>(23,620)</u>

Net cash provided (used) by operating activities	(863,189)
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Cash flows from capital and related financing activities:

Acquisition of capital assets	<u>(10,692)</u>
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Net cash provided (used) by capital and related financing activities	(10,692)
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Cash flows from noncapital financing activities:

State grants	13,836
Federal grants	<u>936,708</u>

Net cash provided (used) by noncapital financing activities	950,544
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Cash flows from investing activities:

Receipt of interest income	1,468
Net transfers	<u>(73,209)</u>

Net cash provided (used) by investing activities	<u>(71,741)</u>
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Net increase (decrease) in cash and cash equivalents	4,922
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Balances, beginning of year	<u>279,899</u>
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Balances, end of year	<u><u>\$ 284,821</u></u>
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Reconciliation of change in operating income to net cash
provided (used) by operating activities:

Operating Income (Loss)	\$ (1,065,123)
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Adjustments to reconcile operating income (loss) to net cash provided (used) by operating
activities:

Depreciation	25,160
State on-behalf payments	95,402
Donated commodities	90,313
Change in Assets and Liabilities:	
(Increase) decrease in inventory	(12,297)
Increase (decrease) in accounts payable	<u>3,356</u>

Net cash provided (used) by operating activities	<u><u>\$ (863,189)</u></u>
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Schedule of non-cash transactions:

On behalf payments from the state for employee benefits	\$ 95,402
Donated commodities received from federal government	90,313

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Agency Funds
Assets	
Cash and cash equivalents	\$ 208,055
Accounts receivable	2,335
Total assets	<u>210,390</u>
Liabilities	
Accounts payable	2,861
Due to student groups	<u>207,529</u>
Total liabilities	<u>210,390</u>
Net position	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Taylor County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Taylor County Board of Education ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Taylor County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Taylor County Board of Education Finance Corporation – On November 19, 1990, the Taylor County, Kentucky, Board of Education resolved to authorize the establishment of the Taylor County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In the government-wide statement of net position and statement of activities both governmental and business-like activities are presented using the accrual basis of accounting. Under accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

- Governmental Fund Types

1. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
2. The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 40 through 41. This is a major fund of the District.
3. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - a. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 - b. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a major fund of the District.
 - c. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
4. The Debt Service Funds are used to account for the accumulation of resources for and the payment of, general long-term principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- Proprietary Fund Types (Enterprise Fund)

1. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.
2. Operating revenues in the proprietary funds are the revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.
3. The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

- Fiduciary Fund Types

The Agency Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds comply with *Accounting Procedures for Kentucky School Activity Funds*.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available.

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

When both restricted and unrestricted resources are available, it is the District's policy to use restricted first, then unrestricted resources, as they are needed.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported in inventory.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2014, to finance the General Fund operations were \$.5180 per \$100 valuation for real property, \$.5180 per \$100 valuation for business personal property and \$.537 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inter-fund Balances

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “inter-fund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

- Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- The budget can be amended after initial approval.
- Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.
- On-Behalf payments were not considered in the budget.

Encumbrances

Encumbrances are not liabilities and, therefore, are not reported as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. There were no outstanding encumbrances at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Enterprise Fund. Inventory consists of donated and purchased food held for resale and is expensed when used. Purchased food is valued at cost and the U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2014 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Receivables

The District recognizes revenues as receivable when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

Beginning with fiscal year 2011, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balances-amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance-amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balances-amounts that are available for any purpose; positive amounts are reported only in the General Fund

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board has provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or other outside contributions of resources restricted to capital acquisition and construction.

Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the Board's policy is to apply restricted net positions first.

NOTE 2 – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At June 30, 2014, the carrying amount of the District's cash and cash equivalents (cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less) was \$5,992,022 while the bank statements totaled \$6,395,743. Of the total bank balances, \$250,000 was insured by FDIC; collateral agreements were executed and collateral, with a FMV of \$7,950,844 and book value of \$7,727,522, was pledged and held by the pledging bank's trust departments in the District's name to secure the remainder of deposits.

Due to the nature of the accounts and certain limitations on the use of the funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Special Revenue Fund, Debt Service Fund, Food Service Fund and Agency Fund.

Kentucky Revised Statutes authorizes the District to invest in the following: obligations of the United States Government and of its agencies and instrumentalities, repurchase agreements and specially approved AAA rated corporate bonds; bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities; certificates of deposit or other interest bearing accounts issued by any bank or savings and loan institution up to FDIC insured amount, and in larger amounts provided that the bank pledges as security obligations having a current market value at least equal to any uninsured deposits.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2014

NOTE 3 – CASH AND INVESTMENTS - CONTINUED

During the year, the District's temporary investments were comprised of certificates of deposits held at a bank located within the county. At year end, \$40,000 in certificates of deposits with interest rates of .20% and maturity dates of 204 days were held at the bank. Such investments are stated at cost, which approximates market value. These investments were covered by FDIC insurance and was covered by collateral agreements and collateral held by the pledging bank's trust department in the District's name.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Governmental Activities				
Capital Assets not being Depreciated:				
Land	\$ 2,928,711	\$ -	\$ -	\$ 2,928,711
Total Capital Assets not being Depreciated	<u>2,928,711</u>	<u>-</u>	<u>-</u>	<u>2,928,711</u>
Capital Assets, being Depreciated:				
Land Improvements	572,799	-	-	572,799
Buildings and Building Improvements	16,166,698	16,287	-	16,182,985
Technology equipment	2,351,664	64,893	(78,917)	2,337,640
Vehicles	2,593,700	14,800	(6,000)	2,602,500
General Equipment	1,700,752	24,644	(6,546)	1,718,850
Construction in Progress	842,084	810,675	-	1,652,759
Totals at historical cost	<u>24,227,697</u>	<u>931,299</u>	<u>(91,463)</u>	<u>25,067,533</u>
Less accumulated depreciation for:				
Land Improvements	205,897	28,640	-	234,537
Buildings and Building Improvements	8,206,718	260,603	-	8,467,321
Technology Equipment	1,520,746	274,052	(77,412)	1,717,386
Vehicles	2,301,146	120,288	(6,000)	2,415,434
General Equipment	1,334,333	80,126	(5,656)	1,408,803
Construction	-	-	-	-
Total accumulated depreciation	<u>13,568,840</u>	<u>763,709</u>	<u>(89,068)</u>	<u>14,243,481</u>
Governmental Activities Capital Net	<u>\$ 13,587,568</u>	<u>\$ 167,590</u>	<u>\$ (2,395)</u>	<u>\$ 13,752,763</u>
Proprietary Activities				
Land	\$ -	\$ -	\$ -	\$ -
Buildings and Building Improvements	-	-	-	-
Technology Equipment	17,352	-	(1,157)	16,195
Vehicles	-	-	-	-
General Equipment	616,421	10,692	(11,336)	615,777
Construction	-	-	-	-
Totals at historical cost	<u>633,773</u>	<u>10,692</u>	<u>(12,493)</u>	<u>631,972</u>
Less Accumulated Depreciation For:				
Land	-	-	-	-
Buildings and Buildings Improvement	-	-	-	-
Technology Equipment	12,483	3,095	(1,157)	14,421
General Equipment	513,629	22,065	(11,336)	524,358
Construction	-	-	-	-
Total Accumulated Depreciation	<u>526,112</u>	<u>25,160</u>	<u>(12,493)</u>	<u>538,779</u>
Proprietary activities capital assets, net	<u>\$ 107,661</u>	<u>\$ (14,468)</u>	<u>\$ -</u>	<u>\$ 93,193</u>

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2014

NOTE 4 – CAPITAL ASSETS – CONTINUED

Depreciation Expense Charged to Governmental Functions as Follows:

Instructional	\$ 626,013
Student Support Services	600
Staff Support Services	159
District Administration	25,355
School Administration	-
Plant Operation and Maintenance	3,875
Student Transportation	107,707
	<hr/>
Total	<u>\$ 763,709</u>

NOTE 5 – LONG-TERM OBLIGATIONS

The original amount of the issue, the issue dates, and interest rates are summarized below:

Issue	District Original Amount	SFCC Original Amount	Interest Rate Ranges	Maturity Dates
Issue of Aug., 2002	\$ 1,475,000	\$ -	1.50 % - 4.200 %	Feb. 1, 2018
Issue of April, 2004	\$ 1,320,000	\$ -	2.65 % - 4.500 %	Apr. 1, 2024
Issue of April, 2004	\$ 1,917,880	\$ 192,120	2.00 % - 3.625 %	Oct. 1, 2014
Issue of Aug., 2005	\$ 1,942,049	\$ 137,951	2.75 % - 4.000 %	Aug. 1, 2016
Issue of Feb., 2007	\$ 1,371,053	\$ 408,947	4%	June 1, 2019
Issue of Feb., 2012	\$ 1,840,000	\$ -	1.85%	Apr. 1, 2024

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Taylor County Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2014

NOTE 5 – LONG-TERM OBLIGATIONS – CONTINUED

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013 for debt service (principal and interest) are as follows:

Year	Taylor County School District		Kentucky School Construction Commission		Total
	Principal	Interest	Principal	Interest	
2014-2015	\$ 707,267	\$ 121,042	\$ 77,733	\$ 11,306	\$ 917,348
2015-2016	741,048	97,199	63,952	8,685	910,884
2016-2017	673,837	78,980	61,163	6,340	820,320
2017-2018	701,886	61,144	53,114	4,196	820,340
2018-2019	599,829	37,996	55,171	2,138	695,134
2020-2024	885,000	49,396	-	-	934,396
Totals	<u>\$ 4,308,867</u>	<u>\$ 445,757</u>	<u>\$ 311,133</u>	<u>\$ 32,665</u>	<u>\$ 5,098,422</u>

Total interest incurred for the year ended June 30, 2014 was \$151,179, all of which was charged to expense.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. As of June 30, 2014, management has estimated the accrued sick leave liability obligation will be approximately \$476,724. The entire sick leave liability is reported on the government-wide financial statements.

Long-term liability the fiscal year ended June 30, 2014 was as follows:

	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Amounts Due Within One Year
Governmental Activities					
Revenue Bonds Payable	\$ 5,390,000	\$ -	\$ 770,000	\$ 4,620,000	\$ 620,000
KSBIT Payable	\$ 324,063		\$ 151,668	\$ 172,395	\$ 43,099
Accrued Sick Leave	<u>436,658</u>	<u>104,350</u>	<u>64,284</u>	<u>476,724</u>	<u>80,066</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 6,150,721</u>	<u>\$ 104,350</u>	<u>\$ 985,952</u>	<u>\$ 5,269,119</u>	<u>\$ 743,165</u>

The debt service fund is primarily responsible for paying bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying accrued vacation and sick leave.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2014

NOTE 6 – COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2014 as follows:

Year ending June 30:		
	2015	\$ 28,486
	2016	-
	2017	-
	2018	-
	2019	-
Total Minimum Payments		<u>\$ 28,486</u>

Rent expense for the year ended June 30, 2014 was \$50,187.

NOTE 7 – RETIREMENT PLANS

KENTUCKY TEACHER'S RETIREMENT:

All the District's eligible employees participate in the Kentucky Teachers Retirement System (KTRS), a statewide multiple-employer public employee retirement system covering all employees of local school districts within the State of Kentucky. KTRS is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the District but are the liability of the State of Kentucky. KTRS is funded through state employee contributions and the District has no legal obligation for paying benefits. As discussed below, the District may be required in certain situations to make limited contributions on behalf of certain employees.

Funding policy - Contribution rates are established by KRS. All members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 14.605% of salaries for members. The federal program for any salaries paid by that program pays the matching contributions.

During the years ended June 30, 2014, 2013 and 2012, contributions of \$1,293,652, \$1,381,331, and \$1,259,983 were made by the State of Kentucky and \$148,300, \$124,148 and \$184,726 in contributions were passed through the District's federally funded programs. The employee contribution rates of 10.855 % are actuarially determined and withheld by the District. Such withholdings during the years ended June 30, 2014, 2013 and 2012 totaled \$1,225,428, \$1,163,929 and \$1,1134,695 and were paid by the District to the State of Kentucky as required. The District has no other liability under the plan. The District's total payroll for all employees during the years ended June 30, 2014, 2013 and 2012 was \$13,900,964, \$14,244,227 and \$14,284,076 and \$10,791,927, \$10,722,503 and \$10,925,229 of such amounts related to employees covered by the retirement plan. All payments were made to the retirement system in the amount of the annually required contributions.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System (CERS). Funding for the Plan is provided through payroll withholdings of 5% and a District contribution for the years ended June 30, 2014, 2013 and 2012 of 18.89%, 19.55% and 18.96% of the employee's total compensation subject to contribution. The contribution rate is actuarially determined. The District's contribution requirement for CERS for the years ended June 30, 2014, 2013 and 2012 was \$587,298, \$603,294 and \$577,253 from the District and \$160,978, \$158,655 and \$155,719 from employees. The total covered payroll for CERS during the years ended June 30, 2014, 2013 and 2012 was \$3,109,038, \$3,321,724 and \$3,358,847. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents. All payments were made to the retirement system in the amount of the annually required contributions.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2014

NOTE 7 – RETIREMENT PLANS- CONTINUED

The County Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

DEFERRED COMPENSATION:

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans. For the year ended June 30, 2014, employee contributed approximately \$160,970 to the plan.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving a ninety (90) day notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE 10 – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2014

NOTE 11 - DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit balance. In addition, the following fund had operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Building Fund	\$340,018
Construction Fund	\$162,740
School Food Service	\$ 68,467

NOTE 12 - TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	School Food Svc	General Fund	Technology Match	\$ 73,209
Operating	Construction Fund	General Fund	Operating	314,486
Operating	Capital Outlay	General Fund	Debt Service	241,909
Operating	General Fund	Special Revenue	Operating	38,706
Operating	Building Fund	Debt Service	Debt Service	710,123
Operating	Building Fund	Construction	Operating	947,421
Operating	School Food Svc	General Fund	Indirect Cost	73,209
Operating	General Fund	Debt Service	Operating	122,487
				<u>\$ 2,521,550</u>

NOTE 13 – ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. For the year ended June 30, 2014, total payments were \$3,828,735. The following amounts were recognized as on behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities:

On-behalf payments:

Kentucky Teacher's Retirement System	\$ 1,293,652
Health Insurance	2,531,684
Life Insurance	5,675
Administrative Fees	26,868
Flexible Plans	118,475
Technology	45,974
Less: Federal Reimbursements	<u>(193,593)</u>
Total	<u>\$ 3,828,735</u>

NOTE 14 – LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2014

NOTE 15 – RESTRICTED NET ASSETS

The government-wide statement of net position reports \$51,373 of restricted net assets, none of which is restricted by enabling legislation.

NOTE 16 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS AND PRIOR PERIOD ADJUSTMENT

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. The District has agreed to an installment agreement with the Kentucky School Board Insurance Trust of a reduced assessment of \$172,395. This agreement is \$151,668 less than the original proposed assessment reflected on the prior-year government-wide financial statements. The result of the new assessment and the application of GASB Statements No. 63 and 65 required restatement of portions of these financial statements as follows:

Net Position, July 1, 2013 as Previously Reported	\$ 12,433,525
Expense Bond Issuance Costs Previously Capitalized	(228,226)
Reduced KSBIT Assessment	<u>151,668</u>
 Net Position July 1, 2013 as Restated	 <u><u>\$ 12,356,967</u></u>

NOTE 17 - SUBSEQUENT EVENTS

Management has reviewed subsequent events through November 11, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources				
Taxes				
Property	\$ 2,715,000	\$ 2,873,100	\$ 2,996,437	\$ 123,337
Motor vehicles	500,000	550,000	617,647	67,647
Utilities	810,000	810,000	912,142	102,142
Tuition and fees	4,000	4,000	4,693	693
Earnings on investments	50,000	50,000	58,605	8,605
Other local revenues	3,500	3,500	39,946	36,446
Intergovernmental - state	13,594,898	13,916,512	14,106,170	189,658
Intergovernmental - direct federal	25,000	25,000	72,645	47,645
Intergovernmental - indirect federal	20,000	20,000	55,985	35,985
Total revenues	<u>17,722,398</u>	<u>18,252,112</u>	<u>18,864,270</u>	<u>612,158</u>
Expenditures:				
Instruction	12,400,350	12,683,878	12,222,500	461,378
Support Services:				
Student	631,207	638,217	601,889	36,328
Instructional staff	586,778	595,767	431,840	163,927
District administration	523,024	533,461	664,657	(131,196)
School administration	1,010,540	988,504	943,356	45,148
Business support services	828,043	907,304	845,172	62,132
Plant operation and maintenance	1,846,453	1,817,462	1,746,879	70,583
Student transportation	1,642,759	1,623,723	1,296,295	327,428
Community services	1,197	1,150	41	1,109
Miscellaneous	1,500,000	2,188,955	-	2,188,955
Total expenditures	<u>20,970,351</u>	<u>21,978,421</u>	<u>18,752,629</u>	<u>3,225,792</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(3,247,953)</u>	<u>(3,726,309)</u>	<u>111,641</u>	<u>3,837,950</u>
Other financing sources (uses)				
Operating transfers in	252,024	302,017	629,604	327,587
Operating transfers out	<u>(172,487)</u>	<u>(172,487)</u>	<u>(161,193)</u>	<u>11,294</u>
Total other financing sources (uses)	<u>79,537</u>	<u>129,530</u>	<u>468,411</u>	<u>338,881</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(3,168,416)</u>	<u>(3,596,779)</u>	<u>580,052</u>	<u>4,176,831</u>
Fund balance June 30, 2013	<u>3,168,416</u>	<u>3,596,779</u>	<u>3,770,033</u>	<u>173,254</u>
Fund balance June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,350,085</u>	<u>\$ 4,350,085</u>

On-Behalf Payments of \$3,733,333 are not budgeted by the Taylor County School District.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
SPECIAL REVENUE
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Earnings and investments	\$ -	\$ -	\$ 654	\$ 654
Other local revenues	17,991	50,107	80,231	30,124
Intergovernmental - state	567,480	613,428	638,675	25,247
Intergovernmental - indirect federal	1,401,837	1,851,039	1,859,606	8,567
Intergovernmental - direct federal	-	-	20,822	20,822
Total revenues	<u>1,987,308</u>	<u>2,514,574</u>	<u>2,599,988</u>	<u>85,414</u>
Expenditures:				
Instruction	1,738,231	2,224,408	2,302,626	(78,218)
Support services:				
Student	3,062	9,238	4,683	4,555
Instructional staff	112,762	136,143	144,322	(8,179)
Plant operations and maintenance	7,987	8,018	9,917	(1,899)
Community services	175,266	184,767	177,146	7,621
Total expenditures	<u>2,037,308</u>	<u>2,562,574</u>	<u>2,638,694</u>	<u>(76,120)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(50,000)</u>	<u>(48,000)</u>	<u>(38,706)</u>	<u>9,294</u>
Other financing sources (uses)				
Operating transfers in	50,000	50,000	38,706	(11,294)
Operating transfers out	-	(2,000)	-	2,000
Total other financing sources (uses)	<u>50,000</u>	<u>48,000</u>	<u>38,706</u>	<u>(9,294)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-
Fund balance June 30, 2013	-	-	-	-
Fund balance June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTARY SCHEDULES

TAYLOR COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
As of June 30, 2014

	SEEK Capital Outlay Fund	Building Fund	Debt Service Fund	Total Non-Major Governmental Funds
Assets and resources:				
Cash & cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-
Total assets and resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and fund balance:				
Liabilities:				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance				
Restricted - KSFCC escrow prior year	-	-	-	-
Restricted - debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TAYLOR COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014

	SEEK Capital Outlay Fund	Building Fund	Debt Service Fund	Total Other Governmental Funds
Revenues:				
Taxes	\$ -	\$ 876,508	\$ -	\$ 876,508
Earnings on investments	-	2,351	-	2,351
Intergovernmental - state	241,909	438,667	95,160	775,736
Total revenues	<u>241,909</u>	<u>1,317,526</u>	<u>95,160</u>	<u>1,654,595</u>
Expenditures:				
Support services				
Plant operation and maintenance	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Building improvements	-	-	-	-
Debt service				
Principal	-	-	770,000	770,000
Interest	-	-	157,770	157,770
Other	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>927,770</u>	<u>927,770</u>
Excess (Deficit) of Revenues Over Expenditures	<u>241,909</u>	<u>1,317,526</u>	<u>(832,610)</u>	<u>726,825</u>
Other financing sources (uses)				
Operating transfers in	-	-	832,610	832,610
Operating transfers out	(241,909)	(1,657,544)	-	(1,899,453)
Total other financing sources (uses)	<u>(241,909)</u>	<u>(1,657,544)</u>	<u>832,610</u>	<u>(1,066,843)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	(340,018)	-	(340,018)
Fund balance June 30, 2013	<u>-</u>	<u>340,018</u>	<u>-</u>	<u>340,018</u>
Fund balance June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
SCHOOL ACTIVITY FUNDS

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
FOR ACTIVITY FUNDS
For the Year Ended June 30, 2014

	Cash Balance July 1, 2013	Actual Receipts	Actual Disbursements	Cash Balance June 30, 2014	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2014
Academic Team	\$ 359	\$ 1,365	\$ 846	\$ 879	\$ -	\$ -	\$ 879
Agriculture Greenhouse	4,477	6,791	4,403	6,865	-	-	6,865
Art	496	3,916	3,674	738	-	-	738
T-Sign Productions	1,096	210	696	611	-	-	611
Athletics	952	98,894	99,511	336	-	-	336
Girls Basketball	1,084	9,375	9,181	1,277	-	-	1,277
Boys Basketball	-	16,795	16,795	-	-	-	-
Mens Bowling	-	5,667	4,860	807	-	-	807
Volleyball	-	14,451	7,474	6,976	-	-	6,976
Golf Team	-	16,577	12,342	4,235	-	-	4,235
Baseball	-	17,990	16,244	1,746	-	-	1,746
Boys Soccer	-	9,494	8,390	1,105	-	-	1,105
Girls Soccer	-	2,568	1,737	831	-	-	831
Cheerleading	-	19,289	13,311	5,977	-	-	5,977
Girls Bowling	-	4,790	4,149	641	-	-	641
Swim Team	-	4,937	3,182	1,755	-	-	1,755
Softball	-	18,865	15,284	3,582	-	-	3,582
CC and Track	-	4,709	4,337	372	-	-	372
Archery	-	4,134	3,771	363	-	-	363
Band	-	27,000	27,000	-	-	-	-
Beta Club	2,969	9,078	10,424	1,623	-	-	1,623
Business Department	550	92	397	245	-	-	245
Cardinal Financial CTR	810	951	1,531	231	-	-	231
Cardinal Kroger	1,222	16,470	15,491	2,200	-	-	2,200
Cheerleading	3	-	3	-	-	-	-
Chorus	5,924	33,454	32,461	6,917	-	-	6,917
Concessions - Students	836	2,573	1,075	2,333	-	-	2,333
Concessions - Athletics	137	550	454	233	-	-	233
Concessions - Lounge	1,200	1,343	2,202	341	-	-	341
Creative Writer's Club	177	45	32	190	-	-	190
Club International	11	78	64	25	-	-	25
Dance Team	670	420	480	610	-	-	610
DECA	949	21,323	18,152	4,120	-	-	4,120
Drama	304	2,475	2,234	545	-	-	545
English	65	-	30	35	-	-	35
Future Educators	87	-	87	-	-	-	-
Faculty Flower Fund	78	140	215	3	-	-	3
Family/Consumer	341	9,360	7,509	2,192	-	-	2,192
Foreign Language	3	-	3	-	-	-	-

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
FOR ACTIVITY FUNDS - CONTINUED
For the Year Ended June 30, 2014

	Cash Balance July 1, 2013	Actual Receipts	Actual Disbursements	Cash Balance June 30, 2014	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2014
Class of 2015	\$ -	\$ 21,850	\$ 21,120	\$ 730	\$ -	\$ -	\$ 730
FCA	297	2,881	1,572	1,606	-	-	1,606
FFA	638	38,465	36,985	2,117	-	-	2,117
FCCLA (FHA)	3,866	33,963	25,671	12,157	-	-	12,157
TC Beads	267	-	267	-	-	-	-
Perfect Prints	666	-	666	-	-	-	-
Floral Prints	-	1,832	1,637	195	-	-	195
General	12,118	9,780	12,203	9,695	-	-	9,695
Greenhouse Entrepreneur	2,405	9,622	7,096	4,930	-	-	4,930
Guidance	857	16,809	16,889	777	-	-	777
Health & PE	290	2,241	2,480	51	-	-	51
Industrial Technology	-	1,292	1,046	246	-	-	246
iPad Fee	-	26,283	1,320	24,963	-	-	24,963
ITC Tech	-	2,618	2,582	36	-	-	36
Class of 2017	222	-	222	-	-	-	-
Class of 2016	705	-	-	705	-	-	705
Lady Cards Little League	432	-	-	432	-	-	432
Boys Little League	-	1,103	-	1,103	-	-	1,103
Library	1	3,608	1,756	1,853	-	-	1,853
Math	-	547	547	-	-	-	-
TCES Football	2,037	5,775	4,487	3,325	-	-	3,325
TCHS Outdoors Club	285	675	620	340	-	-	340
TCHS Tennis Club	45	1,823	1,863	5	-	-	5
Pep Club	155	2,209	2,300	64	-	-	64
Radio	14,355	20,013	18,860	15,508	-	-	15,508
Red Bird Rinse	-	640	390	250	-	-	250
Science Club	19	50	-	69	-	-	69
Science Department	817	1,854	1,819	853	-	-	853
Aviation Science	253	3,130	934	2,449	-	-	2,449
Senior Trip	316	2,874	3,160	30	-	-	30
Class of 2014	6,172	-	6,088	84	-	-	84
Social Studies Dept	924	-	37	887	-	-	887
Student Government	378	-	293	85	-	-	85
TCHS Touchdown Club	109	22,039	21,432	715	-	-	715
TCHS Weight Room	545	420	950	15	-	-	15
Wrestling Team	454	15,171	15,432	193	-	-	193
TCHS PTSO	-	25,966	25,224	742	-	-	742
Tbay Student Enterprise	-	280	124	156	-	-	156
Tech. Students Association	115	345	78	382	-	-	382

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
FOR ACTIVITY FUNDS - CONTINUED
For the Year Ended June 30, 2014

	Cash Balance July 1, 2013	Actual Receipts	Actual Disbursements	Cash Balance June 30, 2014	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2014
Text Books	\$ -	\$ 14,825	\$ 10,850	\$ 3,975	\$ -	\$ -	\$ 3,975
Yearbook	4,155	2,934	5,788	1,301	-	-	1,301
Y Club	166	10,727	10,555	338	-	-	338
Young Historians	1,315	2,636	2,645	1,306	-	-	1,306
Taylor County High School	80,179	693,448	618,020	155,607	-	-	155,607
Taylor County Middle School	23,234	232,027	219,576	35,685	2,335	2,861	35,159
Taylor County Elementary	15,202	201,048	199,487	16,763	-	-	16,763
Total	<u>\$ 118,615</u>	<u>\$ 1,126,523</u>	<u>\$ 1,037,083</u>	<u>\$ 208,055</u>	<u>\$ 2,335</u>	<u>\$ 2,861</u>	<u>\$ 207,529</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Number</u>	<u>Disbursements</u>
<u>U.S. Department of Education</u>			
Passed through the Kentucky Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3102T	\$ 278
Title I Grants to Local Educational Agencies	84.010	3103	207,004
Title I Grants to Local Educational Agencies	84.010	3103M	3,620
Title I Grants to Local Educational Agencies	84.010	3104	516,757
Title I Grants to Local Educational Agencies	84.010	3104M	2,417
			<u>730,076</u>
Special Education Cluster			
Special Education - Grants to States	84.027	3373	17,599
Special Education - Grants to States	84.027	3374	431,224
Special Education - Preschool Grants	84.027	3374P	1,312
Special Education - Preschool Grants	84.173	3434	46,128
Total Special Education Cluster			<u>496,263</u>
Career and Technical Education-Basic Grants to States	84.048	3483A	1,331
Career and Technical Education-Basic Grants to States	84.048	3484	25,524
			<u>26,855</u>
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	3764	26,314
Twenty-first Century Community Learning Centers			
Twenty-first Century Community Learning Centers	84.287	5502E	24,651
Twenty-first Century Community Learning Centers	84.287	5502H	10,718
Twenty-first Century Community Learning Centers	84.287	5502J	3,000
Twenty-first Century Community Learning Centers	84.287	5502M	4,158
Twenty-first Century Community Learning Centers	84.287	5503H	85,998
Twenty-first Century Community Learning Centers	84.287	5503M	75,000
Twenty-first Century Community Learning Centers	84.287	5503S	15,000
Twenty-first Century Community Learning Centers	84.287	5503U	2,154
Twenty-first Century Community Learning Centers	84.287	5503X	75,000
			<u>295,679</u>
Title IV Rural & Low Income	84.358	3503	5,265
Title IV Rural & Low Income	84.358	3504	36,530
			<u>41,795</u>
Improving Teacher Quality State Grants	84.367	4013	27,308
Improving Teacher Quality State Grants	84.367	4014	70,344
			<u>97,652</u>
School Improvement Grants Cluster			
ARRA - School Improvement Grants	84.388	5600C	1,022
Total School Improvement Grants Cluster			<u>1,022</u>

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Race To The Top	84.413	4521	\$ 7,191
Race To The Top	84.413	4364	78,122
Race To The Top	84.413	4364E	46,500
Race To The Top	84.413	4364H	6,780
Race To The Top	84.413	4364M	5,355
			<u>143,948</u>
Total U.S. Department of Education			1,859,604
<u>U.S. Department of Health and Human Services</u>			
Drug-Free Communities Support Program Grants	93.276	5003	<u>20,822</u>
Total U.S. Department of Health and Human Services			20,822
<u>U.S. Department of Agriculture</u>			
Passed through the Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 13	147,716
National School Lunch Program	10.555	7750002 14	494,193
School Breakfast Program	10.553	7760005 13	46,960
School Breakfast Program	10.553	7760005 14	173,994
Summer Food Service Program for Children	10.559	7690024 13	565
Summer Food Service Program for Children	10.559	7740023 13	5,376
Total Child Nutrition Cluster			<u>868,804</u>
Passed through the Kentucky Department of Agriculture			
Commodity Supplemental Food Program	10.565		<u>90,313</u>
Total U.S. Department of Agriculture			<u>959,117</u>
Total Federal Financial Assistance			<u>\$ 2,839,543</u>

The accompanying notes are an integral part of this schedule.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Taylor County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at fair value of the commodities disbursed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? _____ Yes X No
- Significant deficiencies identified that are
Not considered to be material weakness (es)? X Yes _____

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified _____ Yes X No
- Significant deficiencies identified that are
Not considered to be material weakness (es)? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with
Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

84.010

US Department of Education
Passed through the Kentucky Department of Education:

84.027, 84.173

Title I Grants to Local Educational Agencies

84.287

Special Education Cluster (IDEA)

Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between
Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section II – Financial Statement of Findings

Finding 2014-1

Criteria - Taylor County School District's Policy and Procedures Manual, Chapter 04-Fiscal Management – District Issuance of Checks

Condition – During our test of subsequent disbursements, we noted paid invoices without a properly approved purchase order. This is a repeat finding from the prior year.

Cause – Vendors submit invoices and request immediate payment without regard to the policies of the District.

Effect – Unauthorized future payments may occur and not be detected and corrected in a timely manner.

Recommendation – We recommend that the District follow the policies it has set forth within its policies and procedures manual, Chapter 04 – Fiscal Management – District Issuance of Checks and not to issue any checks without prior proper approval. Additionally, we recommend the District communicate with the District's vendors regarding the timing of check issuance so that the policy concerning the timing and process of check issuance will be understood by the district's vendors.

Management Response – Management concurs that payments are periodically made without proper documented approval because of staffing within the Central Office has not allowed for proper approval procedures. We have addressed this problem by hiring additional staff within the Central Office to allow the Finance Officer to dedicate more time for the expenditure approval process. Additionally, we have begun the process to have the District's purchasing procedures done paperless. This process requires proper approval procedures in which electronic signatures will be necessary for payment.

Section III – Federal Award Findings and Questioned Costs

No matters were reported

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2014

The audit of Taylor County School District for the year ended June 30, 2013, revealed the following audit findings requiring corrective action.

Section II – Financial Statement of Findings

Finding 2013-1

Criteria - Taylor County School District's Policy and Procedures Manual, Chapter 04-Fiscal Management – District Issuance of Checks

Condition – During our test of subsequent disbursements, we noted paid invoices without a properly approved purchase order.

Cause – Vendors submit invoices and request immediate payment without regard to the policies of the District.

Effect – Unauthorized future payments may occur and not be detected and corrected in a timely manner.

Recommendation – We recommend that the District follow the policies it has set forth within its policies and procedures manual, Chapter 04 – Fiscal Management – District Issuance of Checks and not to issue any checks without prior proper approval. Additionally, we recommend the District communicate with the District's vendors regarding the timing of check issuance so that the policy concerning the timing and process of check issuance will be understood by the district's vendors.

Management Response – Management concurs that payments are periodically made without proper documented approval because of the demands set forth by vendors. We will begin to communicate the District's policies concerning issuance of checks to our vendors to mitigate this problem.

Current Status – During our tests of subsequent disbursements for the current year we found that invoices were still being paid without properly approved purchase orders. We have noted this as a repeat finding and is listed as finding 2014-01 in the current year.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENTAL AUDITING STANDARDS*

Kentucky State Committee for School District Audits
Members of the Board of Education
Taylor County School District
Campbellsville, KY 42718

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the requirements prescribed by the Kentucky State Committee for School District Audits *Independent Auditor's Contract* in Appendices I, and II of the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Taylor County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Taylor County School District's basic financial statements and have issued our report thereon dated November 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Taylor County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Taylor County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Taylor County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs (Finding 2014-1) that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Taylor County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *State Audit Requirements* section of the *Independent Auditor's Contract*.

We also noted other matters that we reported to management of Taylor County Board of Education in a separate letter dated November 11, 2014.

Taylor County School District's Response to Findings

Taylor County School district's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Taylor county School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is to solely describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide and opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Campbellsville, KY

November 11, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Kentucky State Committee for School District Audits
Members of the Board of Education
Taylor County School District
Campbellsville, KY 42718

Report on Compliance for Each Major Federal Program

We have audited Taylor County School District's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Taylor County School District's major federal programs for the year ended June 30, 2014. Taylor County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Taylor County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for Schools District Audits Independent Auditor's Contract, Appendix I of the Independent Auditor's Contract – Audit Extension Request, and Appendix II of the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Taylor County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Taylor County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Taylor County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Taylor County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Taylor County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Taylor County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Certified Public Accountants

Campbellsville, Kentucky
November 11, 2014

MANAGEMENT LETTER

November 11, 2014

Members of the Board of Education
Taylor County Board of Education
Campbellsville, Kentucky

In planning and performing our audit of the financial statements of Taylor County School District for the year ended June 30, 2014, we considered the Board's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters, but we would first like to address the progress of the management letter points from the previous audit.

The management letter from the previous fiscal year discussed four points with respect to strengthening internal controls within the Central Office and one point with respect to strengthening internal controls within the school activity funds.

The following observations were made concerning the prior year management letter points:

FIDUCIARY FUNDS

TAYLOR COUNTY MIDDLE SCHOOL

Condition: Unallowable expenditures are being paid by the activity fund.

Current Year Observation: Current year audit procedures revealed no transactions for unallowable expenditures.

Condition: Excessive travel and entertainment expenses

Current Year Observation: Audit procedures for expenditures identified one occasion where meals purchased were excessive in relation to the policy for District employees in general for travel and meal reimbursements. This was due to employees choosing to use the meal allotment for a multiple day seminar on one meal and not being reimbursed for the following days meals.

Condition: Lack of additional approval for the School Food Service Director expenditures.

Current Year Observation: Finance Officer reviews the School Food Service Managers travel and reimbursed expenses.

Condition: Audit procedures identified unrecorded donated assets.

Current Year Observation: There were no material donated assets received by the District in the current year.

The following memorandum discusses the current year management letter points. We will review the status of these comments during our next audit engagement. We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the Board is complying with requirements such as those mentioned in the following memorandum.

Sincerely,

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants
Campbellsville, Kentucky

UNCORRECTED PRIOR YEAR COMMENTS

CENTRAL OFFICE:

Finding #1: Multiple Purchase Orders were found dated after the date of invoice. This is almost exclusively concerning the maintenance department.

Observation: Audit procedures revealed three (3) occurrences where purchases were made before approval that exceeded the Superintendent's verbal threshold approval amount of \$500.

Management's Response: We believe the two occurrences found that deviated from our purchasing approval process were due to emergency situations in which purchases had to be made quickly to avoid further costs to our District. The controls over purchases are believed to be strong. Management will review procedures concerning emergency purchases within the finance department.

CURRENT YEAR COMMENTS:

CENTRAL OFFICE:

Finding #2: Time and effort documentation

Observation: Audit procedures for allowable costs over federal programs revealed that time and effort documentation was being done for all employees with the exception of the three (3) tenured certified employees

Recommendation: We recommend that semi-annual certifications be documented for tenured certified employees being paid with federal funds.

Management's Response: We agree that a semi-annual certification has not been done for certified employees who are tenured and being paid with federal funds. We believe that the employee classification and federal project code specific to MUNIS allocated to such employees which are approved by the Superintendent has been sufficient to document the time and effort requirements needed for employees paid with federal funds. Although we feel that sufficient time and effort documentation has been met, we will discuss the creation of a semi-annual certification to further document employees time and effort requirements for federally funded employee positions.